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Water Conservation and Water Quality Bond Law of 1986

Official Title and Summary Prepared by the Attorney General

WATER CONSERVATION AND WATER QUALITY BOND LAW OF 1986. This act provides for a bond issue of one hundred fifty million dollars (\$150,000,000) to provide funds for water conservation, groundwater recharge, and drainage water management, and clarifies language in the Clean Water Bond Law of 1984.

Final Vote Cast by the Legislature on AB 1982 (Proposition 44)

Assembly: Ayes 54
Noes 18

Senate: Ayes 35
Noes 0

Analysis by the Legislative Analyst

Background

Two state agencies (the Department of Water Resources and the State Water Resources Control Board) are principally responsible for managing the state's supply of water and protecting its quality. The Department of Water Resources seeks to ensure that there will be enough water to meet the needs of the population. Water conservation and groundwater recharge are two ways of making better use of existing water supplies. The State Water Resources Control Board has the job of keeping the state's waters free of pollution. A growing problem in some parts of the state is pollution caused by drainage from agricultural land.

Water Conservation. Water conservation projects typically include repair or replacement of leaky water lines and canals, or of inefficient agricultural irrigation systems.

Voters approved the Clean Water Bond Law of 1984, which, among other things, allowed the state to sell \$10 million in bonds to finance projects intended to conserve water. Financing for these projects is provided in the form of a loan to public agencies. The average amount of these loans ranges from \$1 million to \$1.5 million. The Department of Water Resources, which manages the loan program, expects that all of the \$10 million will be allocated by March 1986. According to the department, about 55 agencies that applied for water conservation loans have been turned down because there was not enough money.

Groundwater Recharge. Groundwater recharge facilities typically include ditches, pits, streambeds, or wells, where water is placed and allowed to seep underground. The water is stored underground and pumped out when needed.

There has never been a program to provide loans or grants for groundwater recharge projects. The department estimates that at least 25 water agencies in both urban and rural areas want loans for groundwater recharge facilities. The department also estimates that the average loan would range from \$1 million to \$5 million.

Agricultural Drainage Water. When crops are irrigated, the water that drains from the land may be polluted. The pollution can be caused by toxic minerals that are a

natural part of the soil (such as selenium) or by chemicals, such as pesticides, that are used on the crops.

There has never been a state program to provide loans or grants for treating or disposing of agricultural drainage water.

The State Water Resources Control Board has identified five areas in the state, totaling more than 100,000 acres of land, where agricultural drainage water is causing a pollution problem. By 1995 the board expects the number of acres with agricultural drainage problems to double.

One area of the state with water drainage problems is the western San Joaquin Valley, which contains the F. K. Larson Wildlife Refuge. The board has ordered the federal Bureau of Reclamation to clean up the refuge, which receives agricultural drainage water that is polluted with selenium. The polluted drainage water has harmed the wildlife that use the refuge. To keep the refuge from becoming more polluted, the bureau has set a deadline after which the drainage to the refuge must stop. As a result, either irrigation must cease, or the drainage water must be cleaned up or sent to another place.

Proposal

This measure permits the state to sell \$150 million of general obligation bonds. (General obligation bonds are backed fully by the state, meaning that the state will use its taxing power to assure that enough money is available to pay off the bonds.) The money raised by the bond sale would be used for the following purposes:

1. Water Conservation and Groundwater Recharge — \$75 Million. The measure provides \$75 million for loans to public agencies for studies and construction of water conservation and groundwater recharge projects. The interest rate on these loans would be one-half of the interest rate that the state pays on the bonds. The Department of Water Resources could use up to \$3.75 million of the bond money to manage the program.

2. Agricultural Drainage Water Projects — \$75 Million. The measure provides \$75 million for loans to public agencies for studies and construction of treatment, storage, and disposal facilities for agricultural drainage water. The interest rate on these loans also would be one-half of the rate paid by the state. The State Water Resources Control

Board would be allowed to use up to \$3.75 million of the bond money to manage this program.

Fiscal Effect

Paying Off the Bonds. The state would make principal and interest payments over a period of up to 20 years from the state's General Fund. The average payment would be about \$13.4 million each year if the bonds were sold at an interest rate of 7.5 percent.

If all the loans were repaid on time, the net state cost would average \$3.5 million per year for 20 years, bringing total state costs to \$70 million. These costs would consist of: (1) the state's administrative expenses (which would not

be reimbursed by the borrower) and (2) interest on the bonds that is not covered by payments from local agencies because these agencies are charged a lower interest rate.

Borrowing Costs for Other Bonds. By increasing the amount which the state borrows, this measure may cause the state and local agencies to pay more under other bond programs. These costs cannot be estimated.

Lower State Revenues. The people who buy these bonds are not required to pay state income tax on the interest they earn. Therefore, if California taxpayers buy these bonds instead of making other taxable investments, the state would collect less taxes. This loss of revenue cannot be estimated.

Text of Proposed Law

This law proposed by Assembly Bill 1982 (Statutes of 1986, Ch. 6) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Water Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Chapter 6.1 (commencing with Section 13450) is added to Division 7 of the Water Code, to read:

CHAPTER 6.1. WATER CONSERVATION AND WATER QUALITY BOND LAW OF 1986

13450. *This chapter shall be known and may be cited the Water Conservation and Water Quality Bond Law of 1986.*

13451. *The Legislature finds and declares all of the following:*

(a) *An abundant supply of clean water is essential to the public health, safety, and welfare.*

(b) *An abundant supply of clean water fosters the beauty of California's environment, the expansion of industry and agriculture, maintains fish and wildlife, and supports recreation.*

(c) *The state's growing population has increasing needs for clean water supplies and adequate treatment facilities.*

(d) *It is of paramount importance that the water resources of the state be protected from pollution and conserved, and that the groundwater basins of the state be recharged whenever possible to ensure continued economic, community, and social growth.*

(e) *The chief cause of water pollution is the discharge of inadequately treated waste into the waters of the state.*

(f) *Local agencies have the primary responsibility for the construction, operation, and maintenance of facilities to cleanse our waters, to conserve water, and recharge groundwater basins.*

(g) *Rising costs of construction have pushed the costs of constructing treatment facilities and facilities to conserve water and recharge groundwater basins beyond the ability of local agencies to pay.*

(h) *Because water knows no political boundaries, it is desirable for the state to contribute to the construction of these facilities in order to meet its obligations to protect*

and promote the health, safety, and welfare of its people and the environment.

(i) *Voluntary, cost-effective capital outlay water conservation programs can help meet growing demand for clean and abundant water supplies.*

(j) *Recharge of groundwater basins is an effective way to maximize availability of scarce water supplies throughout the state.*

(k) *California's abundant streams, rivers, bays, estuaries, and groundwater are threatened with pollution from agricultural drainage water which could threaten public health and fish and wildlife resources and impede economic and social growth if left unchecked. Proper containment structures and treatment facilities could provide for the handling of agricultural drainage water in an environmentally sensitive manner.*

(l) (1) *It is the intent of this chapter to provide funds for the construction of cost-effective containment structures and treatment facilities for the treatment, storage and disposal of agricultural drainage water.*

(2) *It is the further intent of this chapter to provide funds for voluntary, cost-effective capital outlay water conservation programs and groundwater recharge facilities cooperatively carried out by local agencies and the department.*

13452. *As used in this chapter, and for purposes of this chapter, as used in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), the following words have the following meanings:*

(a) *"Board" means the State Water Resources Control Board.*

(b) *"Committee" means the Water Conservation and Water Quality Finance Committee created by Section 13454.*

(c) *"Department" means the Department of Water Resources.*

(d) *"Drainage water management units" mean land and facilities for the treatment, storage, or disposal of agricultural drainage water which, if discharged untreated, would pollute or threaten to pollute the waters of the state.*

(1) *Drainage water management units may include any of the following:*

(A) *A surface impoundment which is a natural topo-*

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Argument in Favor of Proposition 44

California is a growing state, whose increasing population and expanding economy rely on a clean, abundant supply of water. There is a direct relationship between how we use water and water supply. Since supply is limited, we should use our water resources in the most efficient manner possible.

Proposition 44 will provide much-needed loans for voluntary, cost-effective water conservation programs, groundwater recharge facilities, and agricultural drainage water treatment.

Two years ago, voters approved the Clean Water Bond Law, which provided funding for wastewater treatment, water reclamation and water conservation programs. Ten million dollars was dedicated to water conservation programs. The state has received 65 applications from local agencies statewide requesting nearly \$90 million in assistance for water conservation alone. Proposition 44 will enable these local agencies to conserve water now being lost due to leaking pipes and unlined ditches and canals.

Another way to use our water more efficiently is through the refilling—or recharge—of our underground water supply. Many areas of California are using groundwater faster than nature can replenish it. Groundwater recharge has been practiced here for almost 90 years. It is a proven method of placing surplus surface water from extremely wet years into available storage space underground so that it can be used in dry years. This underground space is available in the great Central Valley and in valley areas in coastal and southern California. Moreover, as storing surface water behind dams has become more expensive, storing water underground where it does not evaporate becomes more practical, efficient, and economical.

Californians have made a strong commitment to pro-

tecting water quality. Much of our efforts have focused on treating municipal sewage water before it is discharged to our rivers, bays, and ocean waters. Today, rural areas throughout the state need to implement better treatment and containment methods because of the salt and trace element buildup in farm drainage water. This drainage problem will progressively worsen unless we take positive steps to treat and contain it.

Proposition 44 provides funding for the containment and treatment of agricultural drainage water in an environmentally safe manner, much in the same manner as municipal sewage is treated today. The principal cause of water pollution is the discharge of inadequately treated waste into our rivers and groundwater. Californians have always placed a high priority on treating wastewater so that it can be safely discharged or reused. We should confront the rural drainage problem with the same commitment we've made in treating municipal sewage water.

An abundant supply of clean water will preserve the beauty of California's environment, maintain fish and wildlife, and support recreation. A continued supply of clean water will also ensure the vitality of industry and agriculture. Most importantly, however, a clean and abundant supply of water is necessary to preserve and protect public health.

We respectfully urge your support of Proposition 44. Our water resources are too precious to squander away.

JIM COSTA

*Member of the Assembly, 30th District
Chairman, Assembly Water, Parks and Wildlife Committee*

DAVID N. KENNEDY

Director, California Department of Water Resources

JOHN K. VAN DE KAMP

Attorney General of California

Rebuttal to Argument in Favor of Proposition 44

Water conservation, storage and treatment are important.

The question is: **WHO SHOULD PAY FOR THESE PROJECTS?**

Under Proposition 44, *taxpayers would pay* \$150 million plus a fortune in interest on the money borrowed by the state through the sale of bonds. In addition, taxpayers would pay for the *hidden costs* which attend all sales of tax-free government bonds (see ARGUMENT AGAINST PROPOSITION 44).

Technically, and by way of clarification, sale of the bonds would be controlled by the "committee" of state government officials, selection of particular projects would be made by the State Water Resources Control Board and the Department of Water Resources subject to

legislative approval, and the funds are supposed to be "loaned" to local agencies in charge of the projects.

There is no requirement in Proposition 44, however, that these loans be fully repaid. Loans may be made at "50% of the interest rate" payable by taxpayers on the bonds, and any repayments "shall be available" to help repay the bonds but need not be used for that purpose.

The bottom line is that, under Proposition 44, taxpayers would end up subsidizing many rural area projects (including the treatment of agricultural wastewater) which are more properly funded by the businesses involved.

For this reason, I respectfully recommend a vote AGAINST Proposition 44.

GARY B. WESLEY

Attorney at Law

Argument Against Proposition 44

Is Proposition 44 worth the high cost to taxpayers?

It is a proposal by the Legislature to sell \$150 million in bonds and use the money raised to fund local water conservation, treatment and drainage programs to be selected by a "committee" of state government officials.

Fully one-half of the money raised (\$75 million) must be deposited in the "Agricultural Drainage Water Account." Clearly, big agricultural interests in California are continuing to find favor with our legislators (and the Governor, who authorized the placing of this measure on the ballot). One of the questions raised by Proposition 44, then, is whether California taxpayers wish to further subsidize big agricultural interests that are quite capable of paying their own business expenses.

Under Proposition 44, taxpayers would have to repay the money borrowed through the sale of bonds (\$150 million) plus interest.

In addition, *there are hidden costs in every bond measure*. The bonds themselves pay far less than market-level interest; however, the bonds are purchased by investors in high income-tax brackets because the interest received is completely *tax free*.

For a buyer of these bonds, 7% annual interest, for example, would be the equivalent of 14% interest earned on

an investment in the private sector *if* the buyer is in the 50% federal tax bracket. Why? Because half of the interest earned from a private investment would be taken by the government in taxes.

When high income-tax bracket investors buy tax-free bonds, they cannot invest that money in the private sector. This not only reduces the amount of capital available for private enterprise (as does running up a huge government deficit and borrowing the difference each year), but it also deprives the federal and state governments of the *tax revenues that would have been received* from income produced through investment in the private sector.

When government receives less tax money from persons and corporations that invest in tax-free bonds, **EVERY OTHER FEDERAL AND STATE TAXPAYER MUST PAY MORE TO MAKE UP THE DIFFERENCE** (unless, of course, government reduces its expenditures!).

Raising money by selling bonds which earn tax-free interest is extremely costly to taxpayers. A vote **AGAINST** this measure means that the projects to be funded, including \$75 million for agricultural drainage, are not worth the high cost to taxpayers.

GARY B. WESLEY
Attorney at Law

Rebuttal to Argument Against Proposition 44

Proposition 44, the Water Conservation and Water Quality Bond Law of 1986, makes good sense for all Californians. It will provide much-needed funding for water conservation programs, groundwater recharge facilities, and drainage water treatment and containment works.

Proposition 44 is a loan program, which means the cities, counties and other local governmental agencies that borrow money will pay it back. The sale of tax-exempt bonds is sound public policy. California voters have overwhelmingly approved the use of tax-exempt bonds in other ballot measures like the Clean Water Bond Law of 1984. Local governments could not afford to build these projects without Proposition 44 unless they imposed new taxes or redirected funds from existing programs.

The bond proceeds from the passage of Proposition 44 will create jobs in communities throughout the state and provide a boost to local businesses. This new economic activity will also generate greater tax revenues for the

state and for local governments. We all win with the passage of Proposition 44.

All projects funded under this loan program must comply with water quality laws and standards. If you favor the wise and efficient use of our water resources and believe that we should treat wastewater before discharging it into our streams and rivers, then you should vote yes on Proposition 44.

Proposition 44 will help satisfy California's need for a clean and abundant supply of water. Please join us in supporting Proposition 44.

JIM COSTA
Member of the Assembly, 30th District
Chairman, Assembly Water, Parks and Wildlife Committee

DAVID N. KENNEDY
Director, California Department of Water Resources

JOHN K. VAN DE KAMP
Attorney General of California

Your vote won't register unless you do. Register now!

Anita Goodin, Sacramento

department pursuant to Section 5721. The department may grant a postponement of the specified date if the property is not or will not be open to use by the public by the specified date due to circumstances wholly beyond the control of the applicant. If the property is not open to use by the public by the date specified in the agreement, and any postponement thereof granted by the department, the grant funds shall be restored in full to the department and the applicant shall become ineligible to receive any further funds that may become available pursuant to this chapter. Any funds restored pursuant to this section shall be deposited in the fund and shall be available for appropriation pursuant to subdivision (b) of Section 5711.

5724. Any grant made pursuant to this chapter, and the performance of the applicant in expending the grant, may be audited at any time by the department.

5725. Of the total funds available for appropriation pursuant to this chapter, an amount, not to exceed four hundred thousand dollars (\$400,000), may be appropriated for state administrative costs directly incurred in connection with this chapter.

Article 4. Fiscal Provisions

5730. Bonds in the total amount of one hundred million dollars (\$100,000,000), or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds shall, when sold, be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

5731. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds maturing each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which shall be necessary to collect that additional sum.

5732. There is hereby appropriated from the General Fund, for the purpose of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as principal and interest become due and payable.

(b) The sum which is necessary to carry out the provi-

sions of Section 5733, appropriated without regard to fiscal years.

5733. For the purposes of carrying out this article, the Director of Finance may, pursuant to appropriate authority in each annual Budget Act, authorize the withdrawal from the General Fund of an amount or amounts that exceed the amount of the unsold bonds which have been authorized to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any moneys made available under this section shall be returned to the General Fund from moneys received from the sale of bonds for the purpose of carrying out this chapter. The money withdrawn from the General Fund shall be returned to the General Fund with interest at the rate earned by the money in the Pooled Money Investment Account during the time the money was withdrawn from the General Fund pursuant to this section.

5734. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

5735. Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Community Parklands Program Finance Committee is hereby created. The committee consists of the Controller, the Director of Finance, and the Treasurer. For purposes of this chapter, the Community Parklands Program Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law, and the Treasurer shall serve as chairperson of the committee.

5736. All money deposited in the fund which is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

5737. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

5738. If any provision of this chapter or the application thereof to any person or circumstance is held invalid, that invalidity shall not affect other provisions or applications of the chapter which can be given effect without the invalid provision or application, and to this end, the provisions of this chapter are severable.

Proposition 44 Text of Proposed Law

Continued from page 11

graphic depression, artificial excavation, or diked area formed primarily of earthen materials, which is designed to hold an accumulation of drainage water, including, but not limited to, holding, storage, settling, and aeration pits, evaporation ponds, percolation ponds, other ponds, and lagoons. Surface impoundment does not include a landfill,

a land farm, a pile, an emergency containment dike, tank, or injection well.

(B) Conveyance facilities to the treatment or storage site, including devices for flow regulation.

(C) Facilities or works to treat agricultural drainage water to remove or substantially reduce the level of constituents which pollute or threaten to pollute the waters of the state, including, but not limited to, processes utilizing ion exchange, desalting technologies like reverse os-

mosis, and biological treatment.

(D) An injection well.

(2) Any or all of the drain water management units, including the land under the unit, may consist of separable features, or an appropriate share of multipurpose features, of a larger system, or both.

(e) "Fund" means the 1986 Water Conservation and Water Quality Bond Fund.

(f) "Groundwater recharge facilities" mean land and facilities for artificial groundwater recharge through methods which include, but are not limited to, (1) percolation using basins, pits, ditches and furrows, modified streambed, flooding, and well injection or (2) in-lieu recharge. "Groundwater recharge facilities" also mean capital outlay expenditures to expand, renovate, or restructure land and facilities already in use for the purpose of groundwater recharge.

Groundwater recharge facilities may include any of the following:

(1) Instream facilities for regulation of water levels, but not regulation of streamflow by storage to accomplish diversion from the waterway.

(2) Agency-owned facilities for extraction.

(3) Conveyance facilities to the recharge site, including devices for flow regulation and measurement of recharge waters.

Any part or all of the project facilities, including the land under the facilities, may consist of the separable features, or an appropriate share of multipurpose features, of a larger system, or both.

(g) "In-lieu recharge" means accomplishing increased storage of groundwater by providing interruptible surface water to a user who relies on groundwater as a primary supply, to accomplish groundwater storage through the direct use of that surface water in lieu of pumping groundwater. In-lieu recharge would be used rather than continuing pumping while artificially recharging with the interruptible surface waters. However, bond proceeds shall not be used to purchase surface water for use in lieu of pumping groundwater.

(h) "Local agency" or "agency" means any city, county, district, joint powers authority, or other political subdivision of the state involved with water management.

(i) "Project" means all of the following:

(1) Groundwater recharge facilities.

(2) Voluntary, cost-effective capital outlay water conservation programs.

(3) Drainage water management units.

(j) "Voluntary, cost-effective capital outlay water conservation programs" mean those feasible capital outlay measures to improve the efficiency of water use through benefits which exceed their costs. The programs include, but are not limited to, lining or piping of ditches; improvements in water distribution system controls such as automated canal control, construction of small reservoirs within distribution systems which conserve water that has already been captured for use, and related physical improvements; tailwater pumpback recovery systems; major improvements or replacements of distribution systems to reduce leakage; and capital changes in on-farm irrigation systems which improve irrigation efficiency such as sprinkler or subsurface drip. In each case, the department shall determine that there is a net savings of water as a result

of each proposed project and that the project is cost effective.

13453. There is hereby created the 1986 Water Conservation and Water Quality Bond Fund in the State Treasury. There shall be established in the fund a Water Conservation and Groundwater Recharge Account for the purpose of implementing Section 13458, and an Agricultural Drainage Water Account for the purpose of implementing Section 13459.

13454. (a) There is a Water Conservation and Water Quality Finance Committee consisting of the Governor or the Governor's designated representative, the Controller, the Treasurer, the Director of Finance, the Director of the Department of Water Resources, and the Executive Director of the State Water Resources Control Board.

(b) The Water Conservation and Water Quality Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law.

13455. (a) The committee may create a debt or debts, liability or liabilities, of the State of California in the aggregate amount of one hundred fifty million dollars (\$150,000,000), in the manner provided in this chapter. The debt or debts, liability or liabilities, shall be created for the purpose of providing the fund to be used for the object and work specified in this section and in Sections 13458 and 13459.

(b) The department may enter into contracts and may adopt rules and regulations necessary to carry out the purposes of Section 13458.

(c) The department may expend not more than 2½ percent of the total amount of the bonds authorized to be issued under this chapter for the administration of Section 13458.

(d) The board may enter into contracts and may adopt rules and regulations necessary to carry out the purposes of Section 13459.

(e) The board may expend not more than 2½ percent of the total amount of the bonds authorized to be issued under this chapter for the administration of Section 13459.

(f) The department or the board may expend funds necessary to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

13456. All bonds which have been duly sold and delivered constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is pledged for the punctual payment of both principal and interest.

There shall be collected annually in the same manner, and at the same time as other state revenue is collected, the amount, in addition to the ordinary revenues of the state, required to pay the principal of, and interest on, the bonds. It is the duty of all officers charged by law with any duty in regard to the collection of that revenue to perform each and every act which is necessary to collect this additional amount.

All money deposited in the fund which has been derived from premium and accrued interest on bonds sold is available for transfer to the General Fund as a credit to expenditures for bond interest.

13457. The State General Obligation Bond Law is adopted for the purpose of the issuance, sale, and repayment of, and other matters with respect to, the bonds

authorized by this chapter. The provisions of that law are included in this chapter as though set out in full in this chapter, except that, notwithstanding any provision in the State General Obligation Bond Law, the bonds authorized under this chapter shall bear the rates of interest, or maximum rates, fixed from time to time by the Treasurer with the approval of the committee. The maximum maturity of the bonds shall not exceed 50 years from the date of the bonds or from the date of each respective series. The maturity of each respective series shall be calculated from the date of the series.

13458. (a) The sum of seventy-five million dollars (\$75,000,000) of the money in the fund shall be deposited in the Water Conservation and Groundwater Recharge Account and, notwithstanding Section 13340 of the Government Code, is appropriated for expenditure in the 1986-87 fiscal year for loans to local agencies to aid in the acquisition and construction of voluntary, cost-effective capital outlay water conservation programs and groundwater recharge facilities and the purposes set forth in this section. Loans made in the 1986-87 fiscal year may not be authorized sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations, to the policy committee of the Assembly as designated by the Speaker of the Assembly and the policy committee of the Senate designated by the Senate Rules Committee, and the Chairperson of the Joint Legislative Budget Committee.

(b) Any contract entered into pursuant to this section may include provisions as may be determined by the department. However, any contract concerning an eligible, voluntary, cost-effective capital outlay water conservation program shall be supported by or shall include, in substance, all of the following:

(1) An estimate of the reasonable cost and benefit of the program.

(2) An agreement by the local agency to proceed expeditiously with, and complete, the program.

(3) A provision that there shall be no moratorium or deferment on payments of principal or interest.

(4) A loan period of up to 20 years with an interest rate set annually by the department at 50 percent of the interest rate computed by the true interest cost method on bonds most recently issued pursuant to this chapter. The interest rate set for each contract shall be applied throughout the contract's repayment period. There shall be a level annual repayment of principal and interest on the loans.

(5) A provision that the project shall not receive any more than five million dollars (\$5,000,000) in loan proceeds from the department.

The department shall set priority for loans under this subdivision on the basis of the cost effectiveness of the proposed project, with the most cost-effective projects receiving the highest priorities.

(c) Any contract concerning an eligible project for groundwater recharge shall be supported by or shall include, in substance, all of the following:

(1) A finding by the department that the agency has the ability to repay the requested loan, that the project is economically justified, and that the project is feasible from an engineering and hydrogeologic viewpoint.

(2) An estimate of the reasonable cost and benefit of the project, including a feasibility report which shall set

forth the economic justification and the engineering, hydrogeologic, and financial feasibility of the project, and shall include explanations of the proposed facilities and their relation to other water-related facilities in the basin or region.

(3) An agreement by the agency to proceed expeditiously to complete the project in conformance with the approved plans and specifications and the feasibility report and to operate and maintain the project properly upon completion throughout the repayment period.

(4) A provision that there shall be no moratorium or deferment on payment of principal or interest.

(5) A loan period of up to 20 years with an interest rate set annually by the department at 50 percent of the interest rate computed by the true interest cost method on bonds most recently issued pursuant to this chapter. The interest rate set for each contract shall be applied throughout the contract's repayment period. There shall be a level annual repayment of principal and interest on the loans.

(6) A provision that the project shall not receive any more than five million dollars (\$5,000,000) in loan proceeds from the department.

The department shall give priority under this subdivision to projects of agencies located in overdrafted groundwater basins and those projects of critical need; to projects whose feasibility studies show the greatest economic justification and the greatest engineering and hydrogeologic feasibility as determined by the department, and to projects located in areas which have existing water management programs.

(d) The department may make loans to local agencies, at the interest rates authorized under this section and under any terms and conditions as may be determined necessary by the department, for the purposes of financing feasibility studies of projects potentially eligible for funding under this section. No single potential project shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 3 percent of the total amount of bonds authorized to be expended for purposes of this section may be expended for this purpose. A loan for a feasibility study shall not decrease the maximum amount of any other loan which may be made under this section.

13459. (a) The sum of seventy-five million dollars (\$75,000,000) of the money in the fund shall be deposited in the Agricultural Drainage Water Account is appropriated for expenditure in the 1986-87 fiscal year for loans to agencies to aid in the construction of drainage water management units for the treatment, storage, or disposal of agricultural drainage water and the purposes set forth in this section. The board may loan an agency up to 100 percent of the total eligible costs of design and construction of an eligible project. Loans made in the 1986-87 fiscal year may not be authorized sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations, to the policy committee of the Assembly as designated by the Speaker of the Assembly and the policy committee of the Senate designated by the Senate Rules Committee, and the Chairperson of the Joint Legislative Budget Committee.

(b) Any contract for an eligible project entered into pursuant to this section may include such provisions as determined by the board and shall include, in substance,

all of the following provisions:

(1) An estimate of the reasonable cost of the eligible project.

(2) An agreement by the agency to proceed expeditiously with, and complete, the eligible project: commence operation of the containment structures or treatment works upon completion and to properly operate and maintain the works in accordance with applicable provisions of law; provide for payment of the agency's share of the cost of the project, including principal and interest on any state loan made pursuant to this section; and, if appropriate, apply for and make reasonable efforts to secure federal assistance for the state-assisted project.

(c) All loans pursuant to this section are subject to all of the following provisions:

(1) Agencies seeking a loan shall demonstrate, to the satisfaction of the board, that an adequate opportunity for public participation regarding the loan has been provided.

(2) Any election held with respect to the loan shall include the entire agency except where the agency proposes to accept the loan on behalf of a specified portion, or portions, of the agency, in which case the referendum shall be held in that portion or portions of the agency only.

(3) Loan contracts may not provide a moratorium on payment of principal or interest.

(4) Loans shall be for a period of up to 20 years with an interest rate set annually by the board at 50 percent of the interest rate computed by the true interest cost method on bonds most recently issued pursuant to this chapter. The interest rate set for each contract shall be applied throughout the contract's repayment period. There shall be a level annual repayment of principal and interest on loans.

(5) The board in considering eligible projects shall give preference to technologies which treat drainage water where the board finds that the technology is readily available and economically feasible for the agency.

(6) No single project may receive more than twenty million dollars (\$20,000,000) in loan proceeds from the board.

(d) The board may make loans to local agencies, at the interest rates authorized under this section and under any terms and conditions as may be determined necessary by the board, for purposes of financing feasibility studies of projects potentially eligible for funding under this section. No single potential project shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 3 percent of the total amount of bonds authorized to be expended for purposes of this section may be expended for this purpose. A loan for a feasibility study shall not decrease the maximum amount of any other loan which may be made under this section.

13460. Money deposited in the fund pursuant to any provision of law requiring repayments to the state for assistance financed by the proceeds of the bonds authorized by this chapter shall be available for transfer to the General Fund as a reimbursement for payment of bond principal and interest.

13461. There is hereby appropriated from the General Fund, for the purpose of this chapter, an amount equal to the sum of the following:

(a) The amount necessary annually to pay the principal of, and the interest on, the bonds issued and sold pursuant

to this chapter, as the principal and interest become due and payable.

(b) The amount necessary to carry out Section 13462, which is appropriated without regard to fiscal years.

13462. For the purpose of carrying out this chapter, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of amounts not to exceed the amount of the unsold bonds which the committee has authorized to be sold for the purpose of carrying out this chapter.

The amounts withdrawn shall be deposited in the fund and shall be disbursed by the department or the board in accordance with this chapter. Any money made available under this section to the department or the board shall be returned to the General Fund from money received from the sale of bonds. The withdrawals from the General Fund shall be returned to the General Fund with interest at the rate which would have otherwise been earned by those withdrawals in the Pooled Money Investment Fund.

13463. Upon request of the department or the board, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized under this chapter.

13464. The committee may authorize the Treasurer to sell all, or any part, of the bonds at times fixed by the Treasurer.

13465. Notwithstanding Sections 13458 and 13459, the committee may proscribe further terms and conditions for loan contracts to authorize a deferment on payment of all or part of the principal.

13466. For the 1987-88 fiscal year and each year thereafter, a loan may be made by the department or the board only upon the specific approval of the Legislature, by an act enacted after the receipt of a report filed pursuant to Section 13467.

13467. (a) The department shall annually submit a report to the Legislature on the status of the loan program authorized under Section 13458, including a prioritized list of projects eligible for funding, and the need for financial assistance for voluntary, cost-effective capital outlay water conservation programs and groundwater recharge facilities.

(b) The board shall annually submit a report to the Legislature on the status of the loan program authorized under Section 13459, including a prioritized list of projects eligible for funding, and the status of agricultural drainage problems on a statewide basis.

13468. It is the intent of language in Section 13998.8(i)(3), Section 13999.10(d), and Section 13999.11(d) of the Water Code which was enacted by the voters in the Clean Water Bond Law of 1984 that "the average interest rate paid by the state on general obligation bonds in the calendar year immediately preceding the year in which the loan agreement is made" means the interest rate computed by the true interest cost method on the bonds most recently issued pursuant to the Clean Water Bond Law of 1984.

13469. If any provision of this chapter or the application thereof to any person or circumstance is held invalid, that invalidity shall not affect other provisions or applications of the chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are severable.